

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 SP-02 ICA-11 AID-05 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03
LAB-04 SIL-01 L-03 ITC-01 /095 W
-----043706 210042Z /41

R 191558Z MAY 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 6305
INFO ALL EC CAPITALS

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USEEC ALSO FOR EMBASSY

E.O. 11652: N/A
TAGS: ETRD, UK
SUBJECT: FLORENCE AGREEMENT

REF: LONDON 4094 AND PREVIOUS

1. ON JUNE 1, 1978, THE UK WILL TAKE THE FINAL STEPS
TO ALIGN ITS DOMESTIC LAWS AND REGULATIONS WITH THE
FLORENCE AGREEMENT AND EC COUNCIL REGULATION 1798/75.
THE IMPACT WILL FALL MOST HEAVILY ON US SUPPLIERS OF
COMPUTERS, DATA PROCESSING EQUIPMENT AND PERIPHERAL
UNITS. EMBASSY ESTIMATES THAT SALES POTENTIALLY
AFFECTED WILL BE IN THE AREA OF \$8 MILLION.

2. HISTORICALLY, THE UK HAS USED THE WIDER DEFINITION
OF "ARTICLES" RATHER THAN THE NARROWER EC DEFINITION OF
"SCIENTIFIC INSTRUMENTS" WHEN GRANTING DUTY FREE ENTRY
UNDER THE FLORENCE AGREEMENT. FOR ALL ORDERS PLACED
AFTER JUNE 1, HM CUSTOMS WILL APPLY THE MORE STRINGENT
EC REGULATIONS.

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3. IN ASSESSING THE LIKELY IMPACT OF THIS CHANGE WE
BEGAN WITH THE FACT THAT DURING UK FY77/78 ENDING
MARCH 31, THE UK GRANTED DUTY RELIEF ON 15.5 MILLION
POUNDS OF GOODS (CIF). 15 MILLION WAS FOR "INSTRUMENTS
AND APPARATUS", AND APPROXIMATELY 5 MILLION POUNDS OF
THIS AMOUNT INVOLVED COMPUTERS, DATA PROCESSING AND

PERIPHERAL UNITS. HISTORICALLY OVER THE PAST FEW YEARS, ABOUT 90 PERCENT OF THIS TYPE EQUIPMENT HAS BEEN SUPPLIED BY THE US. THIS MEANS THAT APPROXIMATELY 4.5 MILLION POUNDS OR SLIGHTLY OVER \$8 MILLION WILL SHORTLY BE SUBJECT TO IMPORT DUTIES.

4. THE ONLY SIGNIFICANT EXCEPTIONS WILL BE COMPUTERS AND DATA PROCESSING EQUIPMENT WHICH ARE AN INTEGRAL PART OF A LARGER PIECE OF SCIENTIFIC EQUIPMENT WHICH IS BEING IMPORTED FOR NON-COMMERCIAL SCIENTIFIC OR EDUCATIONAL PURPOSES, AND, OF COURSE, MEETS THE CRITERIA OF NON-AVAILABILITY IN THE EC. HOWEVER, DEPARTMENT OF TRADE OFFICIALS ESTIMATE THAT A RELATIVELY SMALL PERCENTAGE OF DUTY FREE IMPORTS FROM THE US HAS BEEN IN THIS CATEGORY IN THE PAST.

5. THEREFORE, THE MAJORITY OF US EXPORTS WHICH HAVE BEEN ENTERING THE UK UNDER PROVISIONS OF ANNEX D OF THE FLORENCE AGREEMENT WILL NO LONGER BE ELIGIBLE FOR DUTY FREE TREATMENT, AND THE FURTHER STEP OF CHECKING FOR AN EQUIVALENT INSTRUMENT IN THE OTHER EC COUNTRIES WILL NOT BE UNDERTAKEN.

6. IT IS NOT YET POSSIBLE TO ACCURATELY PREDICT THE VOLUME OF LOST TRADE FOR THE US CAUSED BY THE ADDITIONAL 7 PERCENT TARIFF THAT WILL APPLY IN THE FUTURE (CXT84.53).
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EMBASSY WILL REPORT FURTHER AS MORE INFORMATION BECOMES AVAILABLE.

STREATOR

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Message Attributes

Automatic Decaptioning: X
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